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George Strayton
President
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November 7, 2000

Manager-Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

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DISSEMINATION SECTION
OFFICE OF THRIFT SUPERVISION
WASHINGTON, DC

Ladies and Gentlemen:

I am writing on behalf of Provident Bank (the "Bank"), Montebello, New York, regarding the proposed conversion regulations released by the Office of Thrift Supervision ("OTS"). The Bank completed a mutual holding company ("MHC") reorganization and stock offering in 1999. We are concerned with certain provisions of the proposed conversion regulations, and believe that such provisions may pose considerable market value risk to our public common shareholders.

Specifically, we are concerned with the "needs" and "return on equity" tests, as these provisions appear to be applicable to thrifts in MHC form as well as for mutual thrifts. These regulations may significantly impair the ability to complete a second step conversion in most stock market environments, even if our Board and management were to believe such a transaction may be appropriate. If the ability to complete a second step conversion is impaired, we perceive there may be devaluation risk of the publicly traded shares

The Bank completed its MHC reorganization in January, 1999 along with a concurrent public stock offering of approximately \$38 million, representing roughly 46% ownership in the mid-tier holding company, Provident Bancorp, Inc. (Provident). The majority of the shares are owned by Provident MHC. Provident's shares are listed on the NASDAQ National Market System, and the market capitalization based on all shares recently approximated \$126.4 million. Provident's stock is widely held, reflecting strong participation in the offering by our local retail depositors and local community members.

Provident currently has total assets approaching \$850 million and operates through a network of 13 branches in Rockland and Orange Counties in New York. Following the MHC reorganization, Provident has grown by more than \$150 million. Over the last several years, Provident has emphasized the growth of savings and

transaction accounts, which today represent nearly 60 percent of total deposits, and commercial loans, which approximate 30 percent of total loans. Provident has expanded its franchise in recent years through both branch purchases and de novo branching – including two de novo branches over the last two years as the Bank has entered Orange County, New York. Furthermore, Provident has expanded its other financial products and services so that it can compete with the nation's largest commercial banks and other financial intermediaries that operate in its market.

After studying the various corporate structures over several years through intensive planning at the Board and management levels, Provident made the decision to reorganize in MHC form. Provident determined the size of the public offering after evaluating its business plan and the related use of proceeds to be raised in an offering. One of the key considerations in Provident's MHC reorganization was the ability to complete a second step conversion in the future at a point that the Board of Directors and management determined to be appropriate.

We believe the public market pricing for MHC shares is based in-part on the anticipated pro forma impact of completing a second step conversion with the offering proceeds approximating the value implied by prevailing stock price. As a result, the pricing ratios of MHC stocks take into account the pro forma impact of a potential second step conversion at the prevailing market price – and such pricing anticipates the appraised value determined by an independent appraiser.

The proposed regulations change the fundamentals of second step conversions for OTS regulated MHCs as the current pricing may result in pro forma equity levels which do not satisfy the proposed needs and market return on equity tests. Thus, this fundamental change could adversely impact the ability to complete a second step conversion, and for this reason considerable market value risk is imposed. Accordingly, a result of these two regulatory criteria may be that an OTS regulated MHC may become land-locked – a situation the public investors surely did not anticipate when they purchased the stock at the time of the offering or in the after-market.

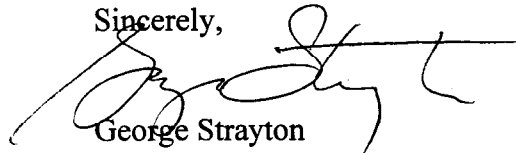
Based on conversations with members of the investment community familiar with the MHC structure, we believe there exists market risk to our publicly traded stock if the ability to complete a second step conversion becomes curtailed. If the ability to complete a second step conversion due to the needs and return tests is impaired, the market would logically respond by devaluing the shares to the level whereby the second step conversion could be completed.

If this regulation were promulgated based on the concern that "conversions" create high levels of capital on which high returns are difficult to achieve over a short period, why not consider increasing the time period to five years over which uninvited solicitations could not be made on the thrift. This would provide flexibility to the board of directors to carry out business plans or seek a partnership with another bank if they

believe it prudent. It also provides investors with information they need to have before making an investment in the MHC.

We are concerned about the negative reaction of our shareholders, as they become aware of the impact of the proposed conversion regulations. We ask that you carefully evaluate the market ramifications of the proposed needs and return on equity provisions of the proposed regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "George Strayton", with a long horizontal line extending to the right.

George Strayton
President